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TO RUEHC/SECSTATE WASHDC 3527
INFO RUEHAK/AMEMBASSY ANKARA 0766
RUEHBJ/AMEMBASSY BEIJING 2091
RUEHBR/AMEMBASSY BRASILIA 0527
RUEHBY/AMEMBASSY CANBERRA 2848
RUEHCV/AMEMBASSY CARACAS 0003
RUEHHI/AMEMBASSY HANOI 0071
RUEHKL/AMEMBASSY KUALA LUMPUR 0191
RUEHLO/AMEMBASSY LONDON 1965
RUEHMD/AMEMBASSY MADRID 5182
RUEHMO/AMEMBASSY MOSCOW 1907
RUEHNY/AMEMBASSY OSLO 5045
RUEHOT/AMEMBASSY OTTAWA 0004
RUEHFR/AMEMBASSY PARIS 1543
RUEHRO/AMEMBASSY ROME 2558
RUEHUL/AMEMBASSY SEOUL 1423
RUEHSM/AMEMBASSY STOCKHOLM 4752
RUEHKO/AMEMBASSY TOKYO 1842
RUEHVI/AMEMBASSY VIENNA 0742
RUEHVB/AMEMBASSY ZAGREB 2019
RHEHNSC/NSC WASHDC
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RUCNDT/USMISSION USUN NEW YORK 4625
RUEHBS/USEU BRUSSELS 0710

C O N F I D E N T I A L THE HAGUE 000725

SIPDIS

STATE FOR EEB/ESC/IEC THAMMANG, EEB/ESC/TFS CBACKEMEYER
STATE ALSO FOR NEA/IR RWADHWANI

E.O. 12958: DECL: 12/02/2019
TAGS: [ENRG](#) [EPET](#) [ETTC](#) [PREL](#) [IR](#) [NL](#)
SUBJECT: NETHERLANDS/IRAN SANCTIONS ACT: SHELL CONFIDENT
ITS ACTIVITIES SHOULD NOT TRIGGER ISA

REF: A. STATE 121808
[1](#)B. THE HAGUE 2
[1](#)C. BACKEMEYER-CANAVAN E-MAIL 11/27/2009

Classified By: Head of Economic Unit Shawn Gray, reason 1.4 (b), (d)

[1](#)1. (C) SUMMARY: Royal Dutch Shell executives told EconOff December 2 the company's activities should not trigger action under the Iran Sanctions Act (ISA). The Department's review process has grabbed Shell's attention. With in-house counsel looking on, Shell executives described the status of the Soroosh and Nowruz oil development project and Persian LNG gas project. More broadly, Shell reiterated its view that sanctions targeting Iran's energy sector must also apply to Chinese and Russian firms in order to have any effect on the regime. END SUMMARY.

[1](#)2. (C) EconOff discussed the Department's ISA review per ref A with John Crocker, Shell's Head of International Government Relations, on December 2. Roelof van Ees, Government Relations Advisor seconded from the Dutch Foreign Ministry; Ayman Hamza, Middle East Regional Advisor; and Joseph Babits, in-house counsel, also attended. Separately, EconOff informed Foreign Ministry energy official Roeland Kollen about the ISA review as it relates to the Netherlands.

STATUS OF SHELL'S INVESTMENT ACTIVITIES IN IRAN

[1](#)3. (C) Soroosh and Nowruz: Crocker confirmed Shell handed this project over to Iran several years ago and no longer has

any personnel working on it. He said Shell's only remaining involvement in the project is cost recovery, which is approaching its end. Referring to the U.S. government's May 1998 decision to waive sanctions for Total's investment in the South Pars gas field, Crocker said Shell proceeded with the Soroosh and Nowruz development with the unambiguous understanding that the same waiver applied to this project. He conceded that relying on a waiver agreement made in the 1990s with a previous U.S. administration carried risks, but said Shell felt it was on strong legal ground to contest any attempt to apply ISA to Soroosh and Nowruz.

14. (C) Persian LNG (PLNG): Crocker said Shell has received clear advice from external counsel that ISA does not apply to pre-final investment decision (FID) activities in Iran. He said PLNG's time horizon has slipped again, with 2011 as the latest possible FID date if political negotiations over bringing in a Chinese partner and technical assessment work proceeded without interruption. Crocker added PLNG's FID has consistently remained two years away since the parties signed an initial agreement in 2004.

SHELL: IRAN SANCTIONS WITHOUT CHINA'S BUY-IN DOOMED TO FAIL

15. (C) Crocker reiterated Shell's long-standing position on Iran sanctions. The firm is not opposed to a broad set of sanctions imposed on all energy sector participants, including Chinese and Russian firms. But if only western

energy companies adhere to them, Chinese firms will enthusiastically fill the void. (Note: As in prior meetings - see ref B - he said Iran's downstream oil and gas sector was crawling with Chinese. End note.) Crocker said recent conversations with U.S. officials have encouraged him that the USG increasingly shares this view. However, he was concerned by the one-month gap between Assistant Secretary Feltman's testimony before the House Foreign Affairs Committee and this last-minute outreach to affected companies. After November 9-10 meetings at the Department, Crocker had the impression that the ISA review was nothing to worry about. He asked whether the USG's strategy on ISA had changed in recent weeks and expressed Shell's strong interest in Congressional developments and the outcome of this review.

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